

Parking Facilities Cash Control Policies

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Executive Summary

In November 2006, City Manager Dohoney asked the Internal Audit Division to review an incident that occurred at a Parking Facilities lot in March 2005. On March 2, 2005, two Parking Facilities supervisors discovered \$5,840 missing from a monthly parking pass machine at the Third and Central parking lot.

The City Manager's primary concerns are:

- Does the Parking Facilities Division have adequate controls in place providing reasonable assurance that the proper stewardship of funds is occurring throughout the cash handling process;
- Did Parking Facilities Management report the suspected theft to the proper entities and was everything possible done to investigate the theft.

Parking Facilities Management (PFM) immediately reported the missing funds to their Department Director and to the Cincinnati Police Department (CPD). The Department Director sent a memo, dated March 3, 2005, to then City Manager Lemmie informing her of the missing funds. However, during this process, PFM neglected to report the missing funds to the City Treasurer.

PFM began their own investigation which resulted in disciplinary action against two of their employees. It was discovered these individuals were not following designated procedures for securing keys and proper collection of City funds. PFM believed that they were not able to pursue further investigative options due to the CPD investigation. PFM did request CPD have Parking Facilities employees take a polygraph test. PFM could not provide documentation that they followed up on this request with CPD.

Parking Facilities Management was unaware that the Police investigation was closed shortly after their initial examination. The Police did not immediately notify Parking Facilities Management that they had identified the missing funds case as an early closure. There was no evidence of follow-up on the status of the investigation by Parking Facilities Management or by the Police until Internal Audit was requested to review the incident. Parking Facilities is now proceeding with their own investigative options.

After the incident PFM began evaluating their cash handling policies and the automated machinery used at the parking garages and lots. PFM has since retired the machine that the money was taken from. The machine will remain inactive until a method of securing the funds can be implemented

These efforts are encouraging and PFM is making strides in developing adequate controls and increased employee accountability.

If PFM incorporates these control activities and designs a management verification process, this will provide reasonable assurance that City funds are being protected.

Introduction

On March 2, 2005, two Assistant Parking Supervisors went to the City parking lot at Third and Central Avenue to collect the money from the automated monthly parking pass machine. This machine should have contained \$8,000, but only \$2,160 was found. There was \$5,840 in monthly parking revenue missing. Parking Facilities staff called CPD who immediately began their investigation. The Superintendent of Parking informed IAD that it was the Parking Supervisor's responsibility to collect funds from the machine on a daily basis during the last week of the month and the first week of the following month. The Superintendent of Parking was not able to provide written documentation of this policy.

The investigation focused on two parking attendants. Police questioned both individuals and concluded that they were not involved. After dusting for fingerprints, the investigating detective stated that the Police could not identify any suspects. He stated that the case would probably remain unsolved and he would make a request for early closure.

In addition to notifying the Cincinnati Police Department, the Economic Development Director, who is the Department head for the Parking Division, sent a memo to then City Manager Valerie Lemmie, dated March 3, 2005. The memo summarized the alleged theft and the new precautions that were to be put in place to avoid similar incidents from occurring.

The timeline of events is as follows:

1. The incident was discovered on March 2, 2005.
2. The incident was immediately reported to the Cincinnati Police on March 2, 2005.
3. City Manager Lemmie, was notified on March 3, 2005.
4. The March 3, 2005 memo to the City Manager indicated that the Parking Division requested CPD polygraph all employees who had access to the machine where the theft occurred.
5. CPD's investigating detective made a request for "Early Case Closure" on March 3, 2005. He stated that it was unlikely that CPD would be able to determine who stole the missing money.
6. The Superintendent of Parking said that he later followed up with the Police polygraph expert, but no documentation was available to provide verification of this statement.

7. On August 30, 2005, Parking Facilities Management developed the Division's Cash Handling Policy (IAD was not provided verifiable documentation that a prior Cash Handling Policy existed).
8. In November 2006, City Manager Milton Dohoney, Jr., became aware of the alleged theft and requested that IAD review the matter.

IAD believes that inadequate controls existed within Parking Facilities at the time of the theft. Adequate controls are currently in place in the Treasury Division and Parking Facilities to provide reasonable assurance that City funds are being protected. This opinion is based on management oversight and verification that the Policies and Procedures are being followed as well as the adoption and oversight that IAD's recommendations will occur.

The breakdown that occurred in the investigation of the March 2nd theft at the Third and Central parking lot was due to lack of communication and follow-up. It was PFM's understanding that the CPD had an ongoing investigation underway. PFM was unaware that CPD closed the investigation after their initial examination. This lack of communication on both sides resulted in the matter not being addressed in a timely manner.

Lack of timely follow-up may have compromised the ability of the Division to find the person(s) responsible for the missing funds. The case has remained dormant for almost 18 months. Historically, when an incident concerning missing funds was identified, the Office of Municipal Investigation (OMI) would be notified and they would handle the investigation. OMI was dismantled during the 2003/2004 budget process. Cases of employee abuse of City assets are now directed to the Police Department.

OMI's investigator would be the central contact throughout the investigation process. He would update the affected department/division heads on the progress of his investigation. When this type of abuse occurs within the City, department and division heads need an investigative tool such as an OMI to rely on for assistance.

If PFM had an investigative tool in place that required weekly or monthly reviews of all open cash loss incidents, they could have resumed their investigation in the spring of 2005. If PFM would have followed-up on their request to have their employees undergo a polygraph test, PFM would have discovered that the Police had concluded their investigation. PFM could have addressed the polygraph issue at that time.

During this review, the Superintendent of Parking requested the Internal Audit Division perform an Operational Performance Audit of his division. The Superintendent of Parking believes that there are opportunities for operational improvement with the new technological advancements that have occurred in the parking industry in recent years. He stated that several of his employees

are resistant to newer technologies. IAD concurs with the opinion of the Superintendent of Parking.

Current Cash Handling Procedures from different Parking Revenue Sources:

Coins from the parking meters are collected twice per week in the business district below 12th Street and weekly in all other locations. The funds are collected in a secure container called a Guzzler. Collection personnel gain access to their individual parking meter keys after one of the two supervisors opens the secured area to where the keys are stored. The Collectors have individual keys to unlock their own set of parking meter keys and they secure the parking meter keys to their person. Each key ring has a full compliment of keys to the City's parking meters. If a set of keys were lost, all of the meters would have to be rekeyed.

The Collectors report to the Treasury Division to sign out the Guzzler(s) that will be used during the collection process on their routes. The empty Guzzlers are weighed and the starting weight is recorded next to the Guzzler number in the logbook. The Collectors signs the logbook and notes the routes to be collected.

The physical process that Collectors use to empty the meters is to use a unique key per route to unlock the meter. The Collector removes the secured canister that holds the money in the meter. The Collector places the mouth of the canister into the Guzzler unit so that the two prongs line up with the unlocking mechanism of the Guzzler. The Collector turns the canister 90 degrees and this turning action opens a door on the canister and simultaneously on the Guzzler. The coins empty into the Guzzler unit without the Collector having access to the coins.

When their daily routes have been completed, Collectors return the Guzzlers to the Treasury Division. The Guzzlers are weighed and the ending weight is recorded in the logbook and signed by the Collector and a staff member from the Treasury Division. The Guzzlers are marked to record the routes collected.

The Treasury Division's counting policy has been modified to have two Treasury employees present during counting. Cameras have been installed in the counting room for additional security. The Guzzlers, used to collect coins from parking meters, are secured using a heavy gauge pad lock and the Treasurer's office holds the keys. When the counting process is not taking place, the keys to the Guzzler are secured in the Treasury Division's safe.

The method used to count the coins is to enter the route numbers that have been collected into the counting machine and pour the coins from the Guzzler into the sorting/counting machine. The machine will stop when a bag reaches

the correct amount of currency for deposit. The full bag is removed from the machine, sealed and labeled. A new bag is put on the machine and the counting continues. The number of the new empty bag is noted and it is recorded what denomination of coin is being collected. When the counting has been completed, the bags that are not full or ready to be deposited are left on the machine. The machine door is closed and locked with the keys stored in the Treasury safe. A receipt for the amount collected for the routes counted is printed by the machine and noted by the Treasury employees responsible for counting. It should be noted that the area of the parking meter that houses the coins is exceptionally strong and the meters are programmable to show revenue generated. The revenue generation feature is not currently being utilized according to management due to lack of available labor.

Pay and Display machines are used in both surface parking lots and in two areas of street parking. The Pay and Display machines generate more revenue than the traditional meters. When a customer does not use the entire amount of time purchased, they drive away with remaining time in the form of a receipt. With parking meters the time remains on the meter and the next customer benefits from the remaining time. Pay and Display is a new technology of parking collections where the customer goes to a centrally located machine and purchases a parking receipt. The Pay and Display machines that IAD observed are conveniently located for the customers use and they accept both dollar bills and coins. After purchasing time, the customer returns to their parked car and places the receipt on the left-front dashboard so that both the time and date are visible when viewing in from the left-front windshield. Neither the Pay and Display machines nor parking meters give change, but the Pay and Display machines allow customers to use dollar bills and automatically add 10 minutes of free parking to the receipt. With meter parking the customer needs to remember to press the button or twist the handle for the free ten minutes before inserting coins into the parking meter. Pay and Display customers can also receive ten free minutes of parking by simply pressing the receipt button without inserting money into the machine similar to a customer pressing or twisting the free 10 minute button on a parking meter.

Pay and Display machines are collected differently than the parking meters. The Collectors use a special key in the bottom of the machine. This is a unique key and different from the key used to get into the machine to perform repair work. When the key is inserted into the lock where money is stored, the machine automatically prints a receipt stating the total funds and the amount per denomination that should be in the collection container. When the metal bill canister is removed, the top snap locks shut so that no money can be removed from the metal canister without a key. The same process is repeated for the coin side of the money chamber and the machine prints a receipt stating the dollar amount collected since the machine was last emptied. The change canisters are made of heavy gauge plastic

Even though the money chambers are locked when removed, Collectors need to carry keys to the bill canisters. The empty replacement bill canister can snap shut and lock when collectors are replacing the canister. When the empty canister snaps shut, it will not accept money and the Collectors must remove the empty canister, open it, and reset the mechanism. To accomplish that task, Collectors must have a key available. This does not present a control issue since the machine prints a receipt showing the amount that should be in the full collection container upon collecting it.

Once this collection process has been completed, the Collectors take the canisters and receipts to the Treasury Division. It is important to note that the counting process for the funds from the Pay and Display machines is more labor intensive for the Treasury Division even though the collection process of the Pay and Display machines may be more efficient in a cluster or island parking environment. The effect may create a net labor savings to the City by using the Pay and Display machines in bundled, lot or island parking areas such as near the Court Street market. An evaluation would need to be done to determine the labor reduction in Parking Facilities and the labor increase in the Treasury Division.

The Superintendent of Parking is considering switching to Pay and Display machines in the island parking area of Mt. Lookout Square. Since the present parking meters are programmable, IAD recommends that he perform a study of revenue generated and collection needed from the area before installing the Pay and Display machines. This will allow the Superintendent of Parking to have before and after data to accurately determine the revenue and labor charges in Parking Facilities.

Monthly parking passes are sold through the Parking Facilities office as well as at the various lots and garages. When sold at the lots, the money is recorded as monthly parking revenue by the lot attendant and the funds are deposited with the daily parking receipts. The funds from the lot are picked up by Brink's Company and taken to the bank. The Treasury Division pulls daily deposit information and forwards the information to the Parking Facilities accountant. The Parking Facilities accountant should already have daily revenue reports from each lot and garage so that he can perform the cash reconciliation. The Parking Facilities accountant informed IAD that one vendor was slow in sending the daily revenue sheets to Parking Facilities and that he has been unable to reconcile those lots. After review of the contract with the service provider, the Superintendent of Parking said that he would immediately address this issue with the company running those lots.

The other monthly parking method is that Parking Facilities sends out monthly bills to the current monthly parking customers. Customers return their payment to Parking Facilities. Parking Facilities books the money and

forwards the checks to the Treasury Division for deposit. The process has historically been shared with the Assistant Parking Superintendent who sends the statements out and the Parking Facilities accountant who books the receipts and transfers the funds to the Treasury Division. Beginning mid-2007, the Parking Facilities accountant and his staff will be responsible for sending out the statements, receiving the return checks and booking the receipts. The actual checks will continue to be sent to the Treasury Division for deposit. The result of this change compromises one area of the separation of duties for this specific function. An ideal separation of duties would have one person billing the account, a second person booking the funds and a third person banking the funds.

Management uses a pass card as the control activity for monthly parking in most City garages. Parking Facilities deactivates the garage pass card if they have not recorded a monthly deposit related to a specific garage entry pass card. On surface lots Parking Facilities provides hang tags to customers that are to be displayed on the rear view mirror. The hang tags have a duplicate receipt that is sent to Parking Facilities along with the daily revenue report. Other controls include crew leaders verifying the monthly passes sold, returning monthly parking pass books to Parking Facilities so that the Parking Facilities accountant can perform a reconciliation to verify accuracy of reported sales and changing the color of parking hang tags on a monthly basis.

PFM reports they average three monthly hang tags lost per month. The Superintendent of Parking stated that Parking Facilities charges \$10.00 for a replacement hang tag. This is very difficult to police because the numbers on the hang tags are small and the lots are so large. The amount of resources necessary to inspect for abuse is materially not worth the investment. However, on the larger lots gating and using pass cards would offer an additional control because every time a pass card is used the activity is recorded.

Daily parking revenue from lots and garages are collected by Pay and Display machines or by Parking Attendants. City employees manage six of the City's fourteen parking facilities. Standard Parking or NSG, Inc. manages the other City lots and garages.

IAD believes that the controls that are currently in place along with the recommendations below offer a reasonable assurance that PFM would provide proper stewardship of the parking revenues received.

Scope and Methodology

Audit methodology consisted of four main components: background research, interviews, observations of tasks being performed and documentation review. Background research identified the most significant risks and problems encountered during cash handling. The purpose of interviews with key staff members was to develop an understanding of the way Parking Facilities operates and to document their investigative steps regarding the suspected theft of funds. IAD observed collections for meters and Pay and Display machines, as well as, the counting method used by the Treasury Division to count the funds. The purpose of the documentation review is to understand the cash loss investigation and to verify information gained in the interview process with Parking Facilities Management.

IAD did not investigate this incident to determine who took the funds. Our focus was on the internal controls currently in place and that the controls provide reasonable assurance that good stewardship exists for the City assets in their care.

Findings and Recommendations

- I. **Objective:** To document that Parking Facilities Management has adequate controls in place providing reasonable assurance that proper stewardship of funds is occurring throughout the cash handling process.

Finding # 1

Condition:

Parking lots operated by the City of Cincinnati are primarily a cash business where employees handle a significant amount of cash. This can result in cash shortages due to mistakes, losses or theft. There are now operational controls being utilized to minimize these risks; but, it is unclear that all employees can be held accountable based on a lack of documentation that each employee has been informed of these controls.

Parking Facilities Management (PFM) gave the Internal Audit Division (IAD) their cash handling policy dated August 2005. No other written documentation was supplied concerning cash handling to IAD. When IAD asked to verify that all employees in the Division had a signed copy of the Cash Handling Policies in their personnel folders, PFM informed IAD that they have verbally made employees aware of the Cash Handling Policy. PFM has not taken the steps of having all employees read and sign the Cash Handling policy. This lack of documentation could be a significant factor in holding employees accountable for not following procedures.

Criteria:

Best practices dictates that employees be informed of their responsibilities and expectations. Knowledge and verifiable documentation are key to establishing accountability. PFM has verbally accomplished this task, but it is difficult to hold employees accountable without having a documented verification that all employees have been instructed about the proper process.

Effect/Risk:

Each employee must have a clear understanding of the Policies and Procedures to correctly perform the tasks associated with the position so management can establish accountability. Without these attributes the entity risks failing their mission.

Recommendation:

PFM should have each employee read the Cash Handling Policy. If the employees have any questions regarding the policy, PFM should review the policy with the employee. Each employee should then sign a statement that they have read and understand the Cash Handling Policy. This signature page along with a copy of the Cash Handling Policy should be placed in each employee's personnel folder.

PFM Response

PFM agrees with the recommendation provided by IAD and has recently installed in facilities new technology that minimizes cash handling by employees. Currently, new policies and cash handling procedures are being developed as we become familiar with the capabilities of the equipment. Security features include immediate reports on cash totals tendered from the pay equipment.

Finding # 2

Condition:

When performing audit fieldwork, IAD inspected the Third Street and Central Avenue parking lot on three separate occasions during the mid-afternoon. On all three occasions, IAD noticed cars displaying expired monthly parking passes or no daily parking pass displayed on the car's dash board. IAD asked PFM if Parking Enforcement was routed through the lot on a daily basis. The Parking Superintendent informed IAD that the lot attendants stationed at the Third and Central lot are required to make a lot inspection during both mid-morning and mid-afternoon to check for non-compliant parked vehicles. If attendants find a non-compliant vehicle, they are instructed to call Parking Enforcement so a parking citation can be issued to the vehicle.

The Parking Superintendent was not able to provide documentation that a periodic check or control activity was in place to show that the Parking Attendants were performing this task. The Parking Superintendent did not have a logbook of calls to Parking Enforcement by Parking Attendants.

There are three scenarios that can contribute to this condition: The customer made the purchase, but did not display the pass; the customer did not make the purchase and is attempting to park for free; or the person made the purchase but there is no receipt recorded or given to the customer. An independent verification that the control activity is working could be Parking Enforcement patrolling the lot. If there is no valid parking receipt, the Enforcement Officer would issue a parking violation ticket. If a person purchased a daily pass, they would most likely complain about receiving a citation.

The lack of a displayed valid parking receipt is most likely an oversight, but it is also a condition that would be found in a cash or sales skimming activity. The control activity that records the sale, collects the money, issues the receipt and monitors the entire process is the attendants at the lot. Therefore, there is no segregation of duties so the process lacks adequate controls.

Criteria:

It is essential that management have control activities in place to prevent, detect and verify that business functions are working properly. In this case the control activity is weak and can easily be circumvented due to a lack of segregation of duties. There

should also be management oversight to determine if the control activity is being used correctly.

Effect/Risk:

Without verifiable controls there is a risk of revenue loss and inconsistent application of policies and procedures regarding employees job responsibility.

Recommendation:

PFM should adjust the routes of Parking Enforcement Officers to include the lot at Third and Central on a daily basis. Patrolling of this lot should continue until the Parking Division turns it into a gated daily/monthly parking facility. Parking Enforcement could then patrol on an occasional basis instead of a daily.

PFM Response

PFM has revised enforcement procedures to include at least two daily inspections by Parking Enforcement staff of all surface parking lots to ensure all vehicles display a proper pass. During the 2008 capital budget PFM will issue a RFP for the installation of gates that will require card access and a pay in advance transient machine for visitors.

Finding # 3

Condition:

One of two locks securing a cash door of a self-pay machine at one of the lots has been broken for approximately three years according to the employees responsible for collecting cash from that machine. They stated they reported this condition to the Maintenance Section on multiple occasions. The cash machine is designed with two locks so that even if a lock failed, there is a secure back-up lock and the cash will remain secure. Since one lock is inoperable, there is no longer a backup lock. If the present lock fails, the cash would be exposed and available to anyone passing the machine.

When discussing this with the Maintenance Supervisor, he told IAD that he was unaware of the problem. IAD was informed that when a repair is requested, the Maintenance Section prepares a paper repair order on the incident and the Maintenance Supervisor assigns the work to a maintenance worker. The assigned maintenance worker performs the necessary tasks and turns the completed repair order into the Maintenance Supervisor. The repair order is then closed. PFM does not track repair orders for quantity, quality, length or timeliness.

Criteria:

It is essential that management have controls in place to prevent, detect or verify that a business function is working. In this case the Collectors need an available media to document that he/she made maintenance requests. Management should receive periodic reports on the status of all work orders. The Manager should keep this

information in an electronic format to evaluate the effectiveness of the maintenance workers. This process would best be maintained in an electronic format, allowing management the opportunity to review all work orders without requesting reports.

Effect/Risk:

The lack of an established control for PFM to determine the effectiveness of the Maintenance Section, in this specific instance, could have exposed the City to financial loss and contributes to a lack of accountability.

Recommendation:

Parking Facilities needs to upgrade from their antiquated paper method to an automated system to maintain requests for repair. Electronic requests for repair work would allow employees to communicate more effectively and allow for easier monitoring of outstanding work orders. This system would document when a repair order had been requested and when the work had been completed. The Maintenance Supervisor would need authority to assign a priority to the work order request and then assign the job to a maintenance worker. PFM needs access and documentation showing the date the repair was requested and the date of each subsequent step in the queue. PFM should also be given a weekly status report on all open and completed work orders. If funds are available, IAD suggests an automated work order system for ease of data collection and manipulation to determine equipment repair history and frequency.

PFM Response

PFM has contacted Mae Consulting to create an electronic work order process. We feel that this will resolve any issues related to efficient maintenance of equipment.

Finding # 4

Condition:

PFM has various locations where funds and keys are stored. These units now contain alarm codes with locks to gain access. The unit in question did not contain alarm codes to identify individual employees gaining entrance at the time of the theft. In some select locations the alarm codes have been upgraded so system providers maintain a record of the person gaining access by entering their unique code.

Criteria:

Unique code features are important to have in all areas that contain significant amounts of cash that is being stored. This control allows management the ability to know who entered the safe and at the time entry was gained.

Effect/Risk:

As with the loss at the Third and Central lot, PFM did not have data available to help direct their investigation. Unique access codes leave audit trails for investigators to follow in the event of missing or stolen funds.

Recommendation:

PFM should perform a study to determine the cost associated with having individual pass codes on all security alarm systems. This study should also include automated Pay and Display machines.

PFM Response

Due to the March of 2005 incident PFM revised the process for vending monthly passes at the Third and Central Parking Lot. The machine in question is no longer in use.

The Pay-on-Foot (Pay and Display) equipment has the capability to be monitored electronically. This upgrade will be considered during an evaluation of the efficiency and effectiveness of the equipment later this year.

Finding # 5**Condition:**

Collection receptacles called Guzzlers are used to collect coins from the parking meters. These are secure units and individuals are denied access unless he/she has a key to the lock on the Guzzler. These locks have visible serial numbers and an employee could easily have a key made using the serial number on the unit.

When IAD discussed this issue with the City's Treasurer, he stated that he would have the serial numbers removed or obscured.

Criteria:

Controls should be in place to safeguard sensitive information that can compromise an internal control.

Effect/Risk:

Loss of funds.

Recommendation:

The City Treasurer should proceed to record the lock serial numbers creating a master file. The master file list should be maintained in a secure area and the serial numbers should be filed off the locks of the collection units.

Finding # 6**Condition:**

The Pay and Display process for street parking requires patrons to first park in a parking space, go to the machine, insert money into the machine and obtain the

parking receipt. The customer must then take a printed receipt back to their vehicle and place it on the left-side dashboard with both the time and the date visible.

IAD found that the time font is a larger than the date font on the Pay and Display receipts. If the customer does not put the receipt on the dashboard properly or if upon closing the car door the receipt moves, the time and the date may not be completely visible for Enforcement Officers review. IAD walked the two areas where these machines are used for street parking and found, in many cases, that it is difficult to see the time and the date on the receipts.

The Superintendent of Parking informed IAD that if any critical part of the receipt is not visible, Enforcement Officers are to ticket the vehicle. If customers feel that they received a ticket in error, they can dispute the ticket by bringing the ticket to the Parking Facilities office along with their valid parking receipt. Upon presentation of valid information to Parking Facilities the parking ticket will be voided.

The rationale for switching to Pay and Display machines for on street parking is increased parking revenue. If a customer purchases an hour of parking and uses only 20 minutes, they drive away with the additional forty minutes on the receipt not still left on a parking meter for the next parking customer. IAD's research supported the claim that additional revenue is generated from the Pay and Display machines.

The Superintendent of Parking believes that the Pay and Display machines will replace the traditional parking meters currently being used. IAD agrees with the justification for lot parking, garage parking and some island or cluster parking. However, IAD does not think enough data has been collected to justify the gradual replacement of all parking meters to Pay and Display machines. IAD advocates the use of the Pay and Display machines in pay lots and garages as the customer can buy the pass at the Pay and Display machine and continue on to park their vehicle.

IAD spent time in the Court Street area talking with customers using the Pay and Display machines. It may have been because the machines are new, but many patrons felt that the machines were less convenient than the traditional meters. Most did not know how to get the free ten minutes of parking if they were only making a quick stop. IAD observed two people, on different occasions, selling their parking receipts for the remaining time to other customers. Additionally, there is an area of Court Street where there is a 30-minute parking limit. If a customer crosses the street and uses a Pay and Display machine in the center island, that customer could purchase a parking receipt for up to two hours. This may impede enforcing the 30-minute limit.

In interviews with PFM and the City Treasurer, IAD learned that there was limited data available to compare additional revenue generated by switching to the Pay and Display machines. The parking meters currently in use have a programmable function that a technician can determine the amount collected by a specific meter. To gain data on a specific time period, Parking Facilities would be required to take a

beginning and ending reading. According to Parking Facilities and the Treasury Division no in-depth studies have been performed due to labor constraints.

The Superintendent of Parking is considering switching areas such as the island parking in Mt. Lookout Square to Pay and Display machines. IAD agrees that this area would be an excellent test site to perform an in-depth comparison study of present parking revenues and the labor associated with the collection and counting of those revenues. Another comparison would have to be performed after the Pay and Display machines have been installed using the same conditions in the meter study.

Even without the studies, IAD researched articles from other cities stating they experienced an increase in revenue when they switched to the Pay and Display machines. The Superintendent of Parking stated that he initially received increased complaints about the Pay and Display machines than he had with the meters. He believes the complaints will diminish as customers become accustomed to the Pay and Display machines. Another advantage of these machines is that they accept dollar bills.

IAD did notice that the amount of time needed to collect and count the funds received from the Pay and Display machines was significantly higher than using the Guzzler process. This additional labor should be taken into consideration when evaluating any possible savings involved in transitioning from the old meters to the new Pay and Display stations.

Criteria:

Business decisions should be made based on cost savings, increased revenue and/or labor savings as well as possible effects on customer service. In government the possible effects on customer service should be taken into consideration. Without supporting data, a test analysis should be performed to determine if the decision is sound.

Effect/Risk:

IAD believes that the most significant risk associated with the Pay and Display machines used for street parking is the perception of lack of customer service by the City for customers visiting the City.

Recommendation:

Parking Facilities should focus their efforts on automating the parking garages and parking lots while studying the revenue generated and the customer service aspects of the Pay and Display machines already installed. PFM should perform an in-depth study of the current Mt. Lookout island parking revenue and associated costs. After the study has been completed, they should perform the same study under the same circumstances on the Pay and Display machines.

PFM Response

In March of 2007 PFM installed new Pay-on-Foot revenue technology in their Parking Facilities that created a customer self service process.

PFM will schedule a complete audit of Pay and Display versus standard individual parking meters prior to expanding the technology into additional locations.

- II. Objective # 2:** That Management in Parking Facilities has reported the suspected theft to the proper entities and that are following the proper procedures to investigate the incident.

Finding # 7:

Condition:

When the theft was discovered by Parking Facilities staff, they were instructed to call the Cincinnati Police. CPD was called on March 2, 2005 at which time they began their investigation. The Superintendent of Parking notified his Department Director of the missing funds. The Department Director notified the City Manager in a memo, dated March 3, 2005, stating the CPD was investigating the incident. The City Manager was also informed of Parking Facilities decision to increase security by changing the locks, updating access codes and installing surveillance cameras. Additionally, preliminary disciplinary action was initiated against two supervisors who did not follow proper procedures in the handling of their keys and the collection of funds. CPD closed the investigation shortly after their initial investigation of the missing money. The investigating detective stated that it was unlikely they would find the person(s) responsible for the theft.

Traditionally, the Office of Municipal Investigation (OMI) would investigate allegations of theft or abuse of City assets by an employee. The OMI office was disbanded due to budget constraints. IAD found no evidence that any instructions were given to Department and Division heads on investigative procedures concerning employee abuse after OMI had been cut from the budget.

The Internal Audit Division requested the Parking Facilities Division's investigation file on this case. The Superintendent of Parking could not locate the file due in part to the Division moving to new offices. IAD also asked for a timeline of events and a copy of the Division's Cash Investigation Policies and Procedures.

The Cash Handling Policy is the only document supplied to IAD. Parking Facilities maintained this policy as a soft copy; it was not available in an electronic format. IAD needed to return the copy so that it could be keyed into the computer system.

IAD is specifically looking for Policies and Procedures to be followed when investigating missing cash. IAD assumed that in a cash intensive business such as Parking Facilities, the Division would have such documentation along with a stated policy and check lists to follow and complete if cash was missing. IAD expected to see notes from weekly follow-up calls to the Cincinnati Police Department concerning the investigation. Parking Facilities Management assumed that CPD was actively investigating the incident.

Parking Facility Management's control environment should aggressively investigate all cash shortages and business irregularities. Having an aggressive investigation policy in place demonstrates that the mismanagement of funds will not be tolerated.

Criteria:

Stewardship of City assets is one of the most important functions for all City department and division heads. By quickly and aggressively investigating cash shortages, management establishes a clear control environment. When an unexplained loss has occurred, it is critical to investigate quickly and fully to:

- Identify how the loss occurred,
- Identify who if anyone is responsible for the loss,
- Determine what additional controls are necessary to provide reasonable expectations that the loss will not occur in the future
- Implement any new controls as quickly as possible,
- Communicate the new procedures, and
- Monitor the situation for any needed refinement.

Effect/Risk:

Without systematic procedures and guideline in place for management to follow, the investigation process could be overlooked in the need to manage daily activities. Having a checklist for an active investigation along with a staff member responsible for the investigation process, including routine contact with police or other investigative personnel, would offer greater assurance that the investigation would remain a top priority until completion and review.

Recommendation:

PFM should consult with the City's Treasurer to develop an investigative policy and procedures manual for missing funds. The manual should include a review of internal controls, investigation checklists, and who should be notified and when. With each investigation, the Superintendent of Parking should appoint an independent manager in the Division to head the investigation. Weekly or biweekly meetings concerning the investigation should be scheduled to update staff. During these meeting, notes should be taken and reviewed for documentation. Each manager in the Division should be trained on the proper use of this tool.

Once the policy and procedures manual is in place, the City's Treasurer should make other departments aware of the process for dealing with missing funds.

PFM Response

PFM will consult with the City Treasurer and CPD to determine a process to address any future theft reports. We would support the establishment of an internal investigative agency to aid in these types of situations. A great deal of confusion resulted in dealing with CPD in our attempts to resolve the March of 2005 theft.

CONCLUSION:

With the new two-employee requirement during the counting of funds process and the addition of security cameras in the Treasury Division's counting room, Treasury has created a control environment that demonstrates reasonable assurance that funds are being safeguarded. The steps that PFM is undertaking along with the recommendations outlined in this report will strengthen their control environment as well.

Based on the City Manager's inquiry, CPD is working with PFM in reviewing the case and investigative options. The Parking Superintendent and the Economic Development Director were both new to City processes when the theft occurred.

An essential investigative tool was lost with the dissolution of the Office of Municipal Investigation. Administration relied on OMI for a full investigation of employee abuse of city assets that was reported to them. The OMI investigator was available to staff and would keep the department/division head apprised of the investigation process.

Since OMI is no longer in existence, it is important that support agencies with expertise in cash controls, such as Treasury and Accounts and Audits, assist in the development of policies and procedures for the safeguarding of funds in addition to the reporting and investigation of missing funds.